

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 IO-14 L-03 ABF-01 FS-01 FBO-01 SS-20

INR-10 EB-11 IGA-02 SPC-03 SSO-00 INRE-00 RSC-01

DRC-01 (ISO) W

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC NIACT IMMEDIATE 8182

INFO USMISSION USUN NY IMMEDIATE

C O N F I D E N T I A L NEW DELHI 14036

STADIS////////////////////////////////////

USUN PLEASE PASS TO AMBASSADOR MOYNIHAN

E.O. 11652: GDS

TAGS: EFIN, IN

SUBJECT: RUPEE STEELEMANT: TRANSITION ACCOUNT

REF: STATE 236125

1. FIRST A FEW COMMENTS AND THEN THE REAL MATHEMATICS.

A. USG AGENCY EXPENDITURES FOR BALANCE OF FY 74.

THIS DOES NOT COME OUT OF COOLEY LOAN REFLows BUT RATHER OUT OF THE TRANSITION ACCOUNT WHICH, IN EFFECT, IS PL 480 FUNDS RETAINED OR WITHHELD FROM THE GRANT TO THE GOI.

B. FBO ESTIMATE IS EXCESSIVELY HIGH. FBO EXPENDITURES IN FY 75 SHOULD NOT BE MUCH MORE THAN \$700,000 (OTHER THAN FOR CAPITAL EXPENDITURES). ALL BUILDING PROJECTS CURRENTLY UNDERWAY (SEE OUR 13979) ARE COVERED IN THE TRANSITION ACCOUNT. WE DOUBT THAT THERE WILL BE MANY MAJOR EXPENDITURES DURING FY 75 FOR PROJECTS NOT YET UNDERWAY BUT WE CAN LOOK AT THESE WHEN THE ISSUE ARISES. WE NEED A REPLY TO OUR 13979 BY OPENING OF BUSINESS DECEMBER 3.

(C) WE HOPE HEW/SRS CAN ADAPT TO USE OF NON-PL 480 RUPEES AS HAVE OTHER AGENCIES. FUNDING ESTIMATE SEEMS QUITE CONFIDENTIAL

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HIGH. HOWEVER, THIS AMOUNT IS SMALL.

(D) WE DO NOT UNDERSTAND WHY USDA AGRICULTURAL MARKETING IS LISTED. WE HAVE BEEN REPEATEDLY TOLD BY WASHINGTON THAT USDA HAS LEGISLATIVE AUTHORITY TO SWITCH TO USE OF NON-PL 480 RUPEES FOR ALL PURPOSES INCLUDING AGRICULTURAL MARKETING IN INDIA. WE ASSUME IT WILL DO SO. NOTHING IN OUR PROPOSED AGREEMENT WILL PREVENT USE OF CONVERSION FOR AGRICULTURAL MARKETING IN THIRD COUNTRIES (SEE REFTEL).

(E) WHILE THE ISSUE OF USE OF PL 480 RUPEES FOR AID TO NEPAL IN FY 74 HAS NEVER BEEN DISCUSSED WITH THE GOI THE AGREEMENT DOES PERMIT IT. WHETHER WE MAKE EXPENDITURES FOR THIS PURPOSE PRIOR TO OR AFTER JUNE 30, 1974 IS IRRELEVANT. EITHER WAY IT HAS THE SAME ANNUAL LIMITATIONS AND WOULD COME OUT OF OUR COOLEY LOAN REFLows.

3. LET US NOW REVIEW THE MATHEMATICS OF PL 480 AVAILABILITY AND NEED: INCOME: COOLEY LOAN REFLows:

JULY 1 1974-JUNE 30 1975 RS. 146,677,200 (ALLOWING FOR KNOWN DEFAULTS)

PLUS

COOLEY LOAN REFLows FROM MARCH 1, 1974 EST. 80,000,000 THROUGH JUNE 30, 1974.

TOTAL RS. 226,677,200

EXPENDITURES:

AID TO NEPAL	RS. 65,000,000
CONVERSIONS	RS. 48,000,000
FBO MAINTENANCE	RS. 5,250,000
HEW/SRS	RS. 1,500,000
TOTAL	RS. 119,750,000

4. EVEN ASSUMING THAT WE HAVE GROSSLY UNDERESTIMATED FBO OR SOME NEW CONTENDER COMES ALONG WE THINK OUR RESOURCES CAN ACCOMMODATE THEM.

5. IN FUTURE FISCAL YEARS OUR INCOME DOES DECREASE, RS. 137,382,000 IN FY 76 AND RS. 133,854,000 IN FY 77. PRESUMABLE HEW/SRS WILL BY THEN BE UTILIZING NON-PL 480 RUPEES. AFTER FY 77 AID TO NEPAL DISAPPEARS.
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6. LET US, HOWEVER, ASSUME THE WORST AND WE RUN SHORT OF PL 480 RUPEES. WE CAN SHIFT TO USE OF NON-PL 480 RUPEES FOR CONVERSIONS (PARAGRAPH 10 IN ART II) AND SAVE OUR PL 480 RUPEES FOR OTHER PURPOSES.

7. CONCLUSION: THERE IS NO PROBLEM AND NO NEED TO GO BACK TO THE GOI FOR ANY CHANGE IN THE PRESENT PROVISIONS.

8. ISSUE RAISED IN DEPARTMENT'S 236126, I.E. LARGE EARLY
DRAWDOWN OF AID FUNDS FOR NEPAL POSES NO SERIOUS PROBLEM.
IF WE HAVE INSUFFICIENT PL 480 FUNDS TO MEET CONVERSION
NEEDS ON JULY 1 WE CAN USE NON-PL 480 RUPEES (SEE PARAGRAPH
6(C) OF PART I).

9. IN ANY EVENT WE WISH TO POINT OUT THAT WE HAVE OBTAINED
AN AGREEMENT WHICH EXCEEDS WHAT OUR INSTRUCTIONS CALLED FOR
AND, CONSIDERING ITS POLITICAL IMPORTANCE, WELL SERVES THE
US INTEREST. SHOULD ITS IMPLEMENTATION CAUSE SOME TEMPORARY
INCONVENIENCE - AND WE DO NOT BELIEVE IT WILL - IT IS WELL
JUSTIFIED IN TERMS OF THE OVERALL GAIN TO THE US.
SCHNEIDER

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